

***PARKWAY TOWERS
CONDOMINIUM
ASSOCIATION, INC.***

FINANCIAL STATEMENTS, and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2007 and 2006

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CONDOMINIUM ASSOCIATION, INC.***

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SUPPLEMENTARY INFORMATION

DECEMBER 31, 2007 and 2006

L.R. COMPTON II, LLC

Certified Public Accountants

3595 South Teller Street, Suite 402
Lakewood, Colorado 80235

PARKWAY TOWERS CONDOMINIUM ASSOCIATION, INC.

DECEMBER 31, 2007 and 2006

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Independent Auditor's Report

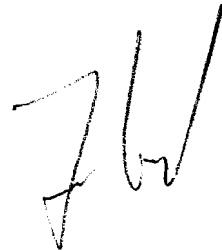
Board of Directors
Parkway Towers Condominium Association, Inc.
Denver, Colorado

We have audited the accompanying balance sheet of Parkway Towers Condominium Association, Inc. as of December 31, 2007 and 2006 and the related statements of revenue, expenditures and changes in fund balance of the operating fund and the revenue, expenditures and changes in fund balance of the replacement funds, and cash flows of the operating fund for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkway Towers Condominium Association, Inc. as of December 31, 2007 and 2006 and the results of the operations of its operating fund and of its replacement funds, and the cash flows of its operating fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

September 4, 2008

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PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEETS

	<u>DECEMBER 31,</u>	
	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
<i>CURRENT ASSETS</i>		
Cash, Operating Fund	\$ 38,893	\$ 10,374
Cash, Replacement Funds	37,819	64,656
Assessments Receivable, Net of Allowance, \$14,340 and \$3,560	5,790	9,371
Special Assessment, 2006 Receivable	1,652	4,043
Replacement Funds due from Operating Fund	11,683	31,266
Prepaid Items	<u>25,913</u>	<u>9,404</u>
<i>Total Current Assets</i>	121,750	129,114
 <i>PROPERTY and EQUIPMENT, Net</i>	 <u>4,996</u>	 <u>6,663</u>
 <i>TOTAL ASSETS</i>	 <u>\$ 126,746</u>	 <u>\$ 135,777</u>
<u>LIABILITIES and FUND BALANCES</u>		
<i>CURRENT LIABILITIES</i>		
Accounts Payable	\$ 36,702	\$ 21,625
Advance Payments	10,647	11,720
Rental Security Deposits	800	866
Operating Fund due to Replacement Fund	<u>11,683</u>	<u>31,266</u>
<i>Total Liabilities</i>	59,832	65,477
 <i>FUND BALANCES</i>		
Operating Fund	15,760	(29,665)
Replacement Funds	<u>51,154</u>	<u>99,965</u>
<i>Total Fund Balances</i>	66,914	70,300
 <i>TOTAL LIABILITIES and FUND BALANCES</i>	 <u>\$ 126,746</u>	 <u>\$ 135,777</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

STATEMENTS of REVENUE, EXPENDITURES
and CHANGES in OPERATING FUND (DEFICIT)

OPERATING FUND

	<u>YEARS ENDED DECEMBER 31,</u>	
	<u>2007</u>	<u>2006</u>
REVENUE		
Assessments	\$ 333,612	\$ 384,277
Other Income	<u>30,007</u>	<u>29,509</u>
<i>Total Revenue</i>	363,619	413,786
EXPENDITURES		
Maintenance	98,136	110,929
Operating Expenses		
Transfers to Replacement Funds		
Reserve Assessments	28,000	24,000
Special Assessment - 2006	-	55,720
Utilities	<u>117,690</u>	<u>118,647</u>
<i>Total Operating Expenses</i>	145,690	198,367
Administrative Expenses		
Personnel Costs	33,875	39,277
Bad Debts	11,485	3,062
Income Taxes	20	1,072
Insurance	27,700	27,761
Management Company	21,600	21,600
Office and Communications	8,412	10,599
Professional Fees	<u>2,276</u>	<u>3,493</u>
<i>Total Administrative Expenses</i>	<u>105,368</u>	<u>106,864</u>
Total Expenditures	<u>349,194</u>	<u>416,160</u>
EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	14,425	(2,372)
Operating Fund, Beginning of Year	(29,665)	(27,293)
Board Directed Transfer from Replacement Funds	<u>31,000</u>	<u>-</u>
OPERATING FUND, End of Year	\$ <u>15,760</u>	\$ <u>(29,665)</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

STATEMENTS of REVENUE, EXPENDITURES
and CHANGES in REPLACEMENT FUNDS

	YEARS ENDED DECEMBER 31,	
	<u>2007</u>	<u>2006</u>
REVENUE		
Assessments Transferred from Operating Fund	\$ 28,000	\$ 24,000
2006 Special Assessment Transferred from Operating Fund	-	55,720
2005 Special Assessment Written-off recovered	-	266
Interest	446	225
<i>Total Revenue</i>	<u>28,446</u>	<u>80,211</u>
EXPENDITURES		
Major Maintenance		
Pool Maintenance	-	9,475
Special Assessment - 2006	46,257	8,060
Special Assessment - 2005	-	8,972
<i>Total Major Maintenance</i>	<u>46,257</u>	<u>26,507</u>
Administrative		
<i>Total Administrative</i>	<u>-</u>	<u>-</u>
Total Expenditures	<u>46,257</u>	<u>26,507</u>
EXCESS (DEFICIT) of REVENUE OVER EXPENDITURES	(17,811)	53,704
Replacement Funds, Beginning of Year	99,965	46,261
Board Directed Transfer to Operating Funds	<u>(31,000)</u>	<u>-</u>
REPLACEMENT FUNDS, End of Year	<u>\$ 51,154</u>	<u>\$ 99,965</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.
 STATEMENTS of CASH FLOWS,
 OPERATING FUND

	YEARS ENDED DECEMBER 31,	
	<u>2007</u>	<u>2006</u>
<i>CASH PROVIDED (USED) by</i>		
<i>OPERATING ACTIVITIES</i>		
Excess (Deficit) of Revenue		
Over Expenditures	\$ 14,425	\$ (2,372)
Depreciation	1,667	1,665
<i>Adjustments to Reconcile Excess (Deficit) of</i>		
<i>Revenue Over Expenditures to Net Cash</i>		
<i>Provided (Used) by Operating Activities</i>		
Assessments Receivable, Net	3,581	(1,066)
Prepaid Items	(16,510)	(542)
Accounts Payable	15,078	(24,333)
Advance Payments	(1,073)	4,389
Security Deposits	(66)	(150)
Operating Fund due to		
Replacement Funds	<u>(19,583)</u>	<u>31,266</u>
<i>Total Cash Provided (Used)</i>		
<i>by Operating Activities</i>	(2,481)	8,857
<i>CASH PROVIDED (USED) by</i>		
<i>FINANCING ACTIVITIES</i>		
Board Directed Transfer from		
Replacement Funds	<u>31,000</u>	<u>-</u>
<i>Total Cash Provided (Used)</i>		
<i>by Financing Activities</i>	<u>31,000</u>	<u>-</u>
<i>NET INCREASE (DECREASE) in CASH</i>	28,519	8,857
Cash, Beginning of Year	<u>10,374</u>	<u>1,517</u>
<i>CASH, End of Year</i>	\$ <u>38,893</u>	\$ <u>10,374</u>

See Notes to Financial Statements

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Parkway Towers Condominium Association, Inc. was incorporated April 12, 1978 under the Colorado Nonprofit Corporation Act to operate Parkway Towers Condominium Association, Inc. (Association), a converted apartment house. The Condominium Declaration of Parkway Towers Condominium Association, Inc. (Declaration) was filed May 9, 1978.

The Association, located in Denver, Colorado, consists of 102 residential units and the common elements of the project, defined as all tangible physical properties of the project, including the airspace between units, and excepting only the airspace of, and property within, the units. The common elements of the Association are owned by the owners in undivided interests, and the allocation of common expenses is based on unit square footage. Membership in the Association is due to ownership, in part or in whole, of one of the 102 residential units.

The Association's purpose is to operate and manage the common elements and related improvements within the project. The common elements of the project were transferred to the Association by the Developer and since no value for the common elements transferred was set at the date of transfer no historical cost for these assets is recorded in these financial statements.

Significant Accounting Policies

Accrual Accounting

The financial statements of Parkway Towers Condominium Association, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as applied to *Common Interest Realty Associations*.

Fund Accounting

The books and records of the Association are maintained to recognize two primary funds:

Operating Fund: This fund records the daily activities of operating the Association, including the annual budgeting, assessing the owners, collecting assessments, disbursing funds under the annual budget and paying income taxes, if any are due, on income unrelated to membership in the Association. Furniture and equipment purchases, if any, with Association funds are recorded in the Operating Fund as is the related accumulated depreciation.

PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

(Continued)

HISTORY and SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Replacement Funds: These funds record that portion of homeowners' assessments budgeted toward future major maintenance and replacement expenditures or special assessments as set by the Board. The Replacement Funds currently reflect the activities of: 1.) the long-term maintenance and replacement projected expenditures; 2.) the 2005 Special Assessment, and 3.) the 2006 Special Assessment. These funds are not generally available for day-to-day operating expenses.

Income Taxes

The Association is responsible for any income taxes due on income from sources unrelated to the members' ownership of a unit. Such income might include interest, dividends, gains/losses on investment activities, and other unrelated income. Income tax filings may be under a special election as a Homeowners Association (Form 1120-H), or as a regular Corporation (Form 1120). Colorado (Form 112) income tax rates are identical on income calculated under either Federal option, but Federal Form 1120-H requires an income tax rate of 30% while the Form 1120 carries a normal corporate rate of 15%.

The funds described above are combined for tax filing and in the year ended December 31, 2007 the Association chose to file Forms 1120 and 112, resulting in a \$20 liability, while in the year ended December 31, 2006, it filed Forms 1120-H and 112 with a tax liability of \$1,072.

NOTE 2. Assessments Receivable

In the Board's opinion, any receivables arising from homeowner activities are collectible in full since they constitute a legal debt of the property owner subject only to a prior first mortgage on the unit. The total owed to the Association includes late and/or legal fees incurred in collection.

Collection of these debts, however, may require the Board of the Association to exercise its legal remedies, the cost of which may or may not be collected in final resolution of the debt. As of December 31, 2007 and 2006, an allowance for uncollectable accounts of \$14,340 and \$3,540 respectively, has been provided herein.

PARKWAY TOWERS

CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

(Continued)

NOTE 3. Replacement Funds

The Replacement Funds, as approved by the Board consist of the following items:

A. Major Maintenance and Replacement Fund: This fund is to accumulate the necessary monies to satisfy those projects covered in the May, 2003 "Replacement Reserve Report" prepared to estimate the remaining useful lives and the replacement costs of the common property components. This study detailed the probable major maintenance and replacement needs of the Association to maintain its facilities in first class condition.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

<u>Item</u>	<u>2007</u>	<u>2006</u>
Cash	\$26,620	\$ 9,840
Due from Operating Fund	<u>11,933</u>	<u>31,266</u>
Replacement Fund Balance	<u>\$38,553</u>	<u>\$41,106</u>

B. 2005 Special Assessment: This fund is to accumulate and expend the funding and projects established by the Board in 2005:

<u>Item</u>	<u>2007</u>	<u>2006</u>
Cash	\$11,199	\$11,199
Assessments Receivable	0	695
Allowance for Uncollectable Accounts	0	(695)
Due from Operating Fund	<u>0</u>	<u>0</u>
2005 Special Assessment Balance	<u>\$11,199</u>	<u>\$11,199</u>

C. 2006 Special Assessment: This Assessment is to accumulate and expend the funding and projects established by the Board in 2006:

<u>Item</u>	<u>2007</u>	<u>2006</u>
Cash	\$ 0	\$43,618
Assessments Receivable	1,652	4,043
Due to Operating Fund	<u>(250)</u>	<u>0</u>
2006 Special Assessment Balance	<u>\$ 1,402</u>	<u>\$47,661</u>

Total Restricted Funds Balance	<u>\$51,154</u>	<u>\$99,965</u>
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PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2007 and 2006

(Continued)

NOTE 4. Other Income

Included in other income are the following items at December 31,

	<u>2007</u>	<u>2006</u>
<u>Revenue Items</u>		
Owner Charges: late fees, etc.	\$ 6,605	\$ 8,265
Laundry Income	13,802	10,843
Rental Income	<u>9,600</u>	<u>10,400</u>
Total Other Income	<u>\$ 30,007</u>	<u>\$ 29,508</u>

NOTE 5. Fair Value of Financial Instruments

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair market value at December 31, 2007 and 2006. The fair value of debt, if any, is estimated based upon current interest rates for obligations with similar terms and maturities.

NOTE 6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 7. Reclassifications

Certain accounts presented in the financial statements of the Association for the year ended December 31, 2006 have been reclassified in these statements to conform to the format in use at December 31, 2007.

***PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.***

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2007

L.R. COMPTON II, LLC

Certified Public Accountants

3595 S. Teller Street, Suite 402

Lakewood, Colorado 80235

(303) 980-6232

***Independent Auditor's Report on
Supplementary Information***

Board of Directors
Parkway Towers Condominium Association, Inc.
Denver, Colorado

Our report on our audits of the basic financial statements of Parkway Towers Condominium Association, Inc. at December 31, 2007 and 2006 and for the years then ended appears on page 1 of this report. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The schedule of actual revenue and expenditures versus budget of the operating fund, shown for the year ended December 31, 2007 on page 11, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Parkway Towers Condominium Association, Inc. Such information, except for that column marked "Not Audited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

September 4, 2008

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PARKWAY TOWERS
CONDOMINIUM ASSOCIATION, INC.

SCHEDULE of ACTUAL REVENUE and
EXPENDITURES VERSUS BUDGET
YEAR ENDED DECEMBER 31, 2007

OPERATING FUND

	Actual	Budget (Not Audited)	Differences (Over)/Under Budget
REVENUE			
Assessments	\$ 333,612	\$ 333,611	\$ (1)
Interest Income	-	-	-
Other Income	<u>30,007</u>	<u>23,050</u>	<u>6,957</u>
Total Revenue	<u>363,619</u>	<u>356,661</u>	<u>6,956</u>
EXPENDITURES			
Maintenance			
General	40,673	31,250	(9,423)
Electric & Elevators	10,786	12,000	1,214
HVAC	33,651	29,000	(4,651)
Plumbing	9,940	11,000	1,060
Security	<u>2,426</u>	<u>14,000</u>	<u>11,574</u>
Total Maintenance	97,476	97,250	(226)
Operating Expenses			
Transferred to Replacement Fund	28,000	28,000	-
Utilities	<u>117,690</u>	<u>127,700</u>	<u>10,010</u>
Total Operating	<u>145,690</u>	<u>155,700</u>	<u>10,010</u>
Administrative Expenses			
Personnel	33,875	42,250	8,375
Bad Debts	11,485	1,000	(10,485)
Income Tax	20	-	1,300
Insurance	27,700	29,000	1,300
Management Fees	21,600	21,600	-
Office and Communications	8,412	5,500	(2,912)
Professional Fees	<u>2,276</u>	<u>4,200</u>	<u>1,924</u>
Total Administrative	<u>105,368</u>	<u>103,550</u>	<u>(1,818)</u>
Total Expenditures	<u>348,534</u>	<u>356,500</u>	<u>7,966</u>
EXCESS of REVENUE OVER EXPENDITURES, BEFORE BOARD TRANSFER	\$ <u>15,085</u>	\$ <u>161</u>	\$ <u>14,924</u>

NOTE: Revenue Differences in () represent items earned less than budgeted.
Expenditure Differences in () represent items in excess of the budgeted amounts.